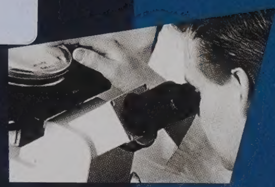
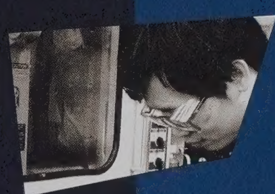
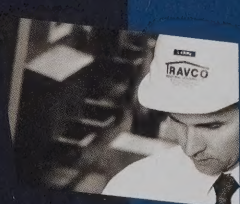


VENCAP EQUITIES ALBERTA LTD.

1990 Annual Report





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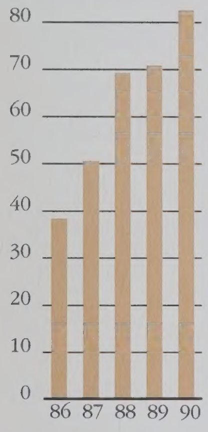
Vencap Equities Alberta Ltd. is a venture capital company owned by Canadians. Vencap is focused on assisting in the creation of new companies in Alberta, supporting the growth of existing businesses, and attracting technology and new innovations to the province, thereby facilitating the long-term economic diversification of Alberta.

Five-Year Financial Highlights

(Millions of Dollars, except per share and share price amounts)

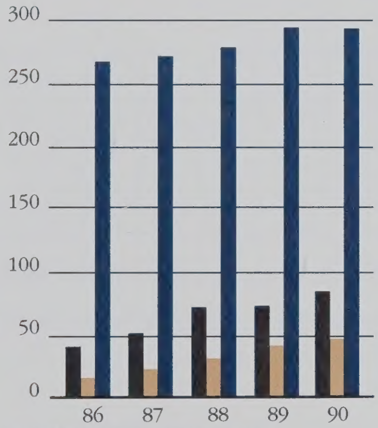
Vencap Equities Alberta Ltd.

	March 31				
	1990	1989	1988	1987	1986
Revenues	19.8	31.3	22.7	24.1	22.8
Net Income	6.3	9.5	7.9	8.3	7.6
Earnings Per Share Fully Diluted	$0.33	$0.48	$0.44	$0.45	$0.41
Venture Investments	82.5	71.1	69.9	50.8	38.2
Total Assets	294.1	294.7	279.0	271.2	266.8
Shareholders' Equity	46.5	40.1	30.3	21.4	17.9
Net Asset Value Per Share Fully Diluted	$3.71	$3.45	$3.04	$2.67	$2.53
Share Price	$2.15	$2.25	$1.65	$2.00	$2.05



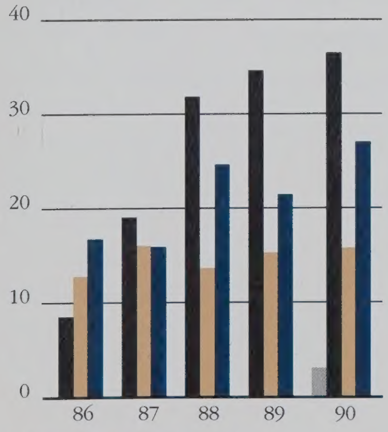
Venture Investments
March 31
(Millions of Dollars)

Venture Investments



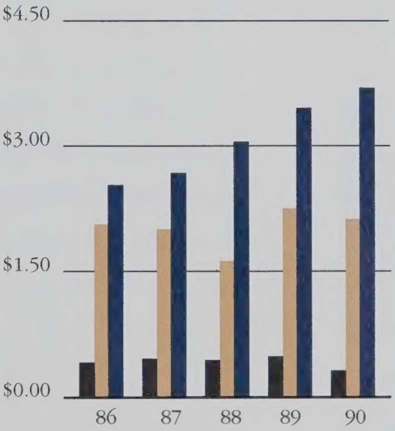
Venture Investments vs. Shareholders' Equity vs. Total Assets
March 31
(Millions of Dollars)

Venture Investments
Shareholders' Equity
Total Assets



Venture Investments by Industry Sector
March 31
(Millions of Dollars)

Consumer Products/Retail
Industrial/Manufacturing
Service
Technology



Earnings Per Share (Fully Diluted) vs. Share Price vs. Net Asset Value Per Share (Fully Diluted)

March 31
(Dollars)

Earnings Per Share (Fully Diluted)
Share Price
Net Asset Value Per Share (Fully Diluted)

For the year ended March 31, 1990, Vencap's revenues were $19.8 million compared to $31.3 million the previous year. Net income was $6.3 million, a decrease from the $9.5 million reported in 1989. The reduction in revenues and net income is due, primarily, to the corporation's not recording a capital gain on its venture portfolio as occurred the previous year.

Donald A. Carlson
Chairman

We are pleased to present to you the Annual Report of Vencap Equities Alberta Ltd. for the year ended March 31, 1990.

This past year has been most challenging. Vencap's new strategic and philosophical direction has brought an activity level that far surpasses that of previous years.

Eleven new investments were completed during the past 12 months, seven more than the previous year. Vencap is particularly pleased with the quality of projects being reviewed and, accordingly, the calibre of investment being made. This progress, we believe, is attributable to the improvement in business opportunities in Alberta and Vencap's pro-active efforts to capitalize on these opportunities.

Vencap's new strategic direction is reflected in our most recent investments. Six are start up companies — companies which did not exist prior to Vencap's involvement; four are directly associated with Vencap's thrust into medical investments; eight were co-ventured with other venture capitalists or corporations, which brought additional venture investment capital to work throughout Alberta.

Vencap's investment portfolio now includes 37 companies — we envision that number will climb to over 45 by March, 1991. As our portfolio expands, the few companies that struggle and, in some cases, fail will become more visible; in the current fiscal year, Clarepine Industries Inc. fell into that category. Other investments are reaching the maturation stage from a venture investment perspective, and an orderly disposition of some of these holdings is expected within the next 12 months. On balance, we are satisfied with our portfolio as the majority of companies continue to meet or exceed our expectations.

Throughout the 1990s, Vencap will persist in its pro-active approach to finding profitable business opportunities. Our thrust into the technology sector will escalate, particularly in the fields of medical technology, telecommunications, environmental technology, specialty chemicals and advanced materials. These ventures traditionally bear higher risk with a correspondingly higher reward when success is achieved. We believe we have an increased opportunity for success with the above technologies as Alberta, with its existing infrastructure, is well positioned to be competitive in these particular areas.

R.A. (Sandy) Slator President and Chief Executive Officer

Basic earnings per share at year-end were $1.43 compared to $2.16 in 1989. On a fully diluted basis, earnings per share were $0.33 compared to $0.48. Basic net asset value per share increased to $10.60 from $9.12, while fully diluted net asset value per share rose to $3.71 from $3.45.

Vencap's affiliated companies are developing an awareness and an expertise in the growing global economic environment, a direction which is in concert with our belief that Alberta companies must broaden their geographic markets. We encourage our affiliates to attack such opportunities with energy, enthusiasm and excitement.

Many people have provided support throughout this year — Vencap staff, your Board of Directors and the management and staff of the 37 portfolio companies have worked diligently to contribute to the success of your company. Without their dedication, success would be most difficult to achieve.

We wish to recognize the contributions of Mr. Norman Wildgoose, who served as a board member of Vencap since its inception. Norm passed away last year. We miss his counsel as a director and as chairman of the audit committee; he brought significant value to the development and growth of your company. We also express our thanks to Mr. Don Taylor, who will not be standing for re-election to your Board of Directors at this year's annual meeting. Mr. Taylor has been a director of Vencap since 1984 and has provided valued input throughout the years.

In summary, Vencap experienced a very active year with much thoughtful evaluation and planning. We have emerged as a well-focused, entrepreneurial-driven company with the determination to achieve significant financial rewards for our shareholders and a clear understanding of the investment strategies we are pursuing.

We laid the groundwork during the last year.
We have the momentum and initiative to continue.
We look forward to seeing those strategies mesh with the opportunities we are witnessing.

D A Carlson

Donald A. Carlson
Chairman

R.A. (Sandy) Slator
President and Chief Executive Officer

Charting Vencap's strategic direction for the 1990s has been a major initiative of the last year — one of finalizing a long-term investment plan to focus on the demanding challenges ahead and of positioning Vencap to pursue aggressive venture capital opportunities.

Vencap's strategic direction for the '90s involves the full range of investment stages we will pursue and the structuring that those investments will take. Vencap will invest in turnaround situations, strategic investments in other funds and, in some cases, majority ownership positions. We have undertaken a number of these strategic pursuits during the year, as indicated by our investments in Pathfinder Venture Capital Fund III and Innogenics Inc., and we have the momentum and desire to continue these creative investing strategies in the future.

The majority of our attention and focus will continue to be toward those stages in which Vencap's activities have concentrated in the past, and which are defined by certain parameters.

Early Stage

These investments tend to be in the range of less than $500,000 and include seed, start up and early stage investments. They have high potential for capital gain and are most likely to be located where they can be closely monitored and supported by Vencap's investment professionals and/or co-investors. Vencap often pursues these opportunities directly or becomes involved indirectly with other funds who, in identifying certain early stage situations, approach Vencap as an investment partner. The potential for significant gain in early stage investments is counterbalanced by their typical high risk and potential for failure as these companies generally do not have a proven track record. Vencap can serve as a catalyst to reduce that risk. By their very nature, however, early stage investments place intensive time demands on a venture investor as all levels of management support and assistance must be provided. Vencap will be cautious in the number of early stage situations we pursue in order that we do not over-extend our capabilities or resources. Examples of early stage investments undertaken by Vencap are: Innogenics Inc., Nortech Food Systems Inc., IatroMed, Inc.

Second and Third Stage

These investments typically are in the range of $500,000 to $5 million and are usually intended to finance growth in companies with a broader geographic spread and more mature management than in early stage investments. Examples of companies in which Vencap has invested at this stage are: AMPTECH Corporation, H.P.I. Beverages Ltd., IDACOM Electronics Ltd.

Later Stage

Typically from $1 million to $10 million, these investments are intended to take advantage of a special business opportunity that has emerged for a company with established markets and proven management in place. Examples of later stage investments are: Western Cartage & Storage (1962) Ltd., The Churchill Corporation, PTI Group Inc.

Investment Structuring

We will structure our investments in the most innovative, financially rewarding manner possible in order to achieve the returns our shareholders expect while appropriately managing each investment's level of risk. Most investments will continue on a minority position basis, but we will consider situations in which majority ownership is held by Vencap.

The investment criteria that will define these situations is primarily a function of the opportunity. Vencap's preference is for investments in new and emerging industries that have strong potential but, as well, for dynamic companies in mature industries that offer strong track records and potential for further significant growth.

Investment Strategies

Vencap will continue to seek out co-investing situations, primarily in those areas in which we can gain experience in a specific kind of investment or industry, can build and strengthen our contact network, and gain strategic knowledge and advantage in certain industries that have applications to the Alberta marketplace.

Our involvement with IatroMed, BIOSYS, and Simborg has enabled us to establish solid links with other centres of technology excellence, to be acknowledged as a participant in emerging fields of endeavor, and to begin the building of a critical mass of expertise and technologies in Alberta. Our investment in Pathfinder Venture Capital Fund, one of the premier medical and electronic technology investors in North America, exposes us to leading-edge developments occurring elsewhere and enhances our ability to attract some of these new initiatives, and the people behind them, to Alberta.

Investment strategies such as these will enable us to facilitate the cross-transfer of technology, manufacturing and marketing rights between U.S. and Alberta companies and will bring additional credibility to ventures started in this province.

The strategic direction identified by Vencap for the years ahead encompasses the industries in which the company is particularly, but not exclusively, interested. Vencap's attention will be focused in the areas of electronics, telecommunications, waste management/environmental management, advanced materials, consumer products and services, medical technology, and manufacturing.

Investment Philosophy

Vencap's approach to all investments has been, and will continue to be, that of an active investor. We work closely with management of the companies in which we invest, assisting to the fullest extent of our abilities in order that their objectives are achieved. We monitor performance and return in all respects. So long as performance is within expectations and unless the investment has been designed as a control investment, Vencap's approach will be to give management sufficient autonomy to operate in the best interests of its company and equity investors.

Venture Capital Investments

Name of Company	Major Products or Services	Calendar Year First Invested	Stage of Investment at Time of First Investment			
			Early Stage	Expansion	Acquisition Related	Special Situations
CONSUMER PRODUCTS/RETAIL VENTURES:						
Alberta Television Network Inc.*	Alberta-based commercial television network.	1990	X			
EFX Marketing Inc.*	European-accented sports outerwear; Edgewear label.	1989	X			
Folkestone Fine Linens Ltd.*	High quality bedroom, bath & table linens.	1989	X			
H.P.I. Beverages Ltd.**	Independent bottler & canner of beverages.	1988			X	
Liquidation World Inc.*	Close-out merchandise and excess inventory.	1990		X		
Mitchell-Danzy Distributors Inc.*	Distribution of recreational vehicle and marine parts.	1990		X		
Net allowance against consumer products/retail ventures						
Total Consumer Products/Retail Ventures			3	2	1	0
INDUSTRIAL/MANUFACTURING VENTURES:						
Albchem Industries Inc.*	Manufacture of sodium chlorate.	1989	X			
ALPECO	Oil field equipment.	1987	X			
AMPTECH Corporation	Precision injection-molded plastics.	1986		X		
The Churchill Corporation	Industrial holding company.	1986			X	
Clarepine Industries Inc.	Industrial mining & manufacturing.	1986			X	
Corod Industries, Inc.	Continuous & conventional sucker rod.	1985		X		
Intercane World Corporation Ltd.	Proprietary sugarcane processing equipment.	1986	X			
Lakeside Farm Industries Ltd.	Integrated farming & processing.	1985		X		
Mountain Minerals Co. Ltd.	Industrial minerals mining & processing.	1985		X		
Nascor Incorporated	Energy-efficient building structures.	1985		X		
Net allowance against industrial/manufacturing ventures						
Total Industrial/Manufacturing Ventures			3	5	2	0
SERVICE VENTURES:						
AgriTrends Research Inc.	Agricultural consulting.	1988	X			
Computalog Gearhart Ltd.	Energy sector service company.	1989				X
K-Bro Group of Companies*	Laundry services, primarily healthcare related.	1989		X		
Peters & Co. Limited	Full service investment dealer.	1986		X		
PTI Group Inc.	Food services & camp facilities.	1984			X	
Relax Development Corporation Ltd.	Full service economy hotels.	1985		X		
Western Cartage & Storage (1962) Ltd.	Household goods moving.	1985			X	
Net allowance against service ventures						
Total Service Ventures			1	3	2	1
TECHNOLOGY VENTURES:						
ACT Computer Services Ltd.	Computer services & products.	1985		X		
BIOSYS	Biological pesticides.	1987	X			
BTCI Group Ltd. (formerly Biotechnica Canada)	Agribusiness.	1985	X			
BioTechnica International, Inc.	Broad-based biotechnology.	1985	X			
D & S Petroleum Consulting Group Ltd.	Petroleum industry software products.	1985		X		
SN Hanson Group Enterprises Ltd.	Metallurgical engineering.	1984		X		
IatroMed, Inc.	Electrostimulation medical devices.	1988	X			
IDACOM Electronics Ltd.	Data communications protocol testers.	1985		X		
Innogenics Inc.*	Breast cancer prognostics.	1990	X			
Myrias Research Corporation	Parallel processing supercomputers.	1987	X			
Nortech Food Systems Inc.*	Environmentally pure production of fresh produce.	1989	X			
Pathfinder Venture Capital Fund III*	Medical & electronics venture capital fund.	1989				X
Simborg Systems Corporation*	Networking software for the healthcare industry.	1989		X		
SPURT Investment Fund I	Technology venture capital fund.	1985				X
Stanley Technology Group Inc.**	Technological consulting engineering.	1985		X		
Westronic Inc.	Remote monitoring & control systems.	1985		X		
Net allowance against technology ventures						
Total Technology Ventures			7	7	0	2
TOTAL VENTURE PORTFOLIO BALANCE			14	17	5	3

* New investments made in fiscal 1990

** Two investments are shown in different industry categories as compared to the corporation's prior annual report. H.P.I. Beverages Ltd. is now in Consumer Products/Retail, not Industrial/Manufacturing. Stanley Technology Group Inc. (formerly Stanley Engineering Group Inc.) is shown in Technology, not Service.

		Activity During Fiscal 1990						
		Disposition of Investments						
Balance March 31,1989	Additional Investments During Fiscal 1990	Sale	Return of Capital	Permanent Impairment	Decrease (Increase) in Allowance for Unrealized Gains and Losses	Balance March 31, 1990	Gains (Losses) on Disposition During Year	Additional Commitments Approved but not Closed
	$ 225,002					$ 225,002		$10,524,998
	$ 566,000					$ 566,000		
	$ 250,000					$ 250,000		
$ 850,000						$ 850,000		
	$ 490,000					$ 490,000		
	$ 750,000					$ 750,000		
$ 850,000	$ 2,281,002					$ 3,131,002		
$ 850,000	$ 2,281,002					$ 3,131,002		
	$ 5,000,000					$ 5,000,000		$ 2,500,000
$ 4,319,321						$ 4,319,321		
$ 1,800,112	$ 1,000,000					$ 2,800,112		
$ 14,000,000						$ 14,000,000		
$ 5,000,000				$ 5,000,000				
$ 625,429						$ 625,429		
$ 3,300,000	$ 700,000					$ 4,000,000		
$ 5,000,000						$ 5,000,000		
$ 2,550,000						$ 2,550,000		
$ 1,500,000						$ 1,500,000		
$ 38,094,862	$ 6,700,000			$ 5,000,000		$ 39,794,862		
$ (4,384,395)					$ 1,163,089	$ (3,221,306)		
$ 33,710,467	$ 6,700,000			$ 5,000,000	$ 1,163,089	$ 36,573,556		
$ 200,000	$ 1	$ 200,001					$ (173,701)	
$ 512,500						$ 512,500		
	$ 3,000,000					$ 3,000,000		
$ 1,105,946			$ 336,492			$ 769,454		
$ 2,530,000			$ 266,770			$ 2,263,230		
$ 7,000,000						$ 7,000,000		
$ 2,494,000			$ 100,000			$ 2,394,000		
$ 13,842,446	$ 3,000,001	$ 200,001	$ 703,262			$ 15,939,184		
$ (550,340)					$ 388,938	$ (161,402)		
$ 13,292,106	$ 3,000,001	$ 200,001	$ 703,262		$ 388,938	$ 15,777,782		
$ 100,000						$ 100,000		
$ 1,055,284	$ 771,197					$ 1,826,481		
$ 2,500,000	$ 1,500,000					$ 4,000,000		
$ 4,952,867		$ 84,800				$ 4,868,067	$ (58,758)	
$ 2,000,000						$ 2,000,000		
$ 1,000,000	$ 133,000					$ 1,133,000		
$ 918,090						$ 918,090		
$ 1,723,900						$ 1,723,900		
	$ 275,000					$ 275,000		
$ 5,999,994	$ 1,000,000					$ 6,999,994		$ 500,000
	$ 400,000					$ 400,000		
	$ 232,260					$ 232,260		$ 2,160,000
	$ 885,600					$ 885,600		
$ 69,700	$ 200,000		$ 17,721			$ 251,979		
$ 2,029,218						$ 2,029,218		
$ 2,448,835						$ 2,448,835		
$ 24,797,888	$ 5,397,057	$ 84,800	$ 17,721			$ 30,092,424		
$ (1,565,265)					$(1,552,027)	$ (3,117,292)		
$ 23,232,623	$ 5,397,057	$ 84,800	$ 17,721		$(1,552,027)	$ 26,975,132		
$ 71,085,196	$ 17,378,060	$ 284,801	$ 720,983	$ 5,000,000	0	$ 82,457,472	$ (232,459)	$15,684,998

Innogenics has been created to further important medical research by Dr. Malcolm Paterson, who could be on the threshold of a significant breakthrough in the management of breast cancer. Vencap has invested $275,000 in seed capital to establish Innogenics.

In Canada and the United States, 80,000 women are diagnosed annually with early stage breast cancer. While considered a good prognostic sign - the tumor is small and has not spread to the adjoining lymph nodes - one in five of these women with node-negative breast cancer is still likely to relapse within five years following the initial surgical treatment. Unfortunately, almost all cases of recurring disease are fatal. At present, there is no way to reliably predict who falls in the 20 per cent, high-risk group.

The underlying factors which contribute to disease recurrence in this high-risk subgroup of breast cancer patients has attracted the attention of Dr. Malcolm Paterson, a molecular geneticist at Edmonton's Cross Cancer Institute. Dr. Paterson, a Heritage Medical Scientist attracted to Alberta in 1985 by the Alberta Heritage Foundation for Medical Research and the Alberta Cancer Board, is one of Canada's leading investigators in the genetics of human cancer. For years, he has conducted in-depth laboratory studies on a wide range of individuals from Moscow to Tokyo with rare inherited or familial diseases predisposing to cancer. This research has led to the discovery of new hereditary determinants in the cause and course of human cancer, thereby helping to explain why certain people tend to develop certain types of cancer.

Dr. Paterson is working to identify new genetic markers to aid in predicting which women with node-negative breast cancer are at high risk of early relapse. If Dr. Paterson is successful in developing these genetic tools, it will then be possible to single out these "bad actors", who may well benefit from aggressive adjuvant chemotherapy following surgical removal of the primary tumor, from the vast majority who are cured by the initial surgery and may, therefore, be spared needless exposure to toxic and expensive chemicals.

In early 1990, Vencap and the Alberta Cancer Board created Innogenics Inc., with Vencap investing $275,000 in seed capital. Innogenics was established to help fast-track Dr. Paterson's work and to provide a route for commercialization should the genetic tools be successfully developed. This is an early stage investment, even by venture capital standards, but the clinical application and market opportunities for this kind of breast cancer technology are significant.

"Innogenics possesses the key elements of a promising technology transfer. Dr. Paterson is an outstanding medical researcher; the Alberta Cancer Board is an enthusiastic partner with Vencap in furthering his work; a solid research plan exists to drive it forward; and, most certainly, there is a real-life problem which requires an urgent solution."

Dr. Jean-Michel Turc, President, The Alberta Cancer Board

Malcolm C. Paterson, Ph.D.,
Molecular Genetics and Carcinogenesis Laboratory,
Cross Cancer Institute

INNOGENICS INC

Since Vencap's original investment in EFX, a further $400,000 in second-round financing has been directed to the company. Vencap's total investment in EFX at fiscal year-end was $566,000.

Official supplier to the world is a distinction that EFX Marketing would appear well on its way to earning. This start-up, one-year-old, Calgary-based designer of a unique line of European-accented outerwear has secured promotional and marketing opportunities with some of the most well-known, consumer-product corporations in Canada and abroad. Coca Cola, Sony, MasterCard, TSN, General Motors, Paramount Pictures, Delta Hotels. And more.

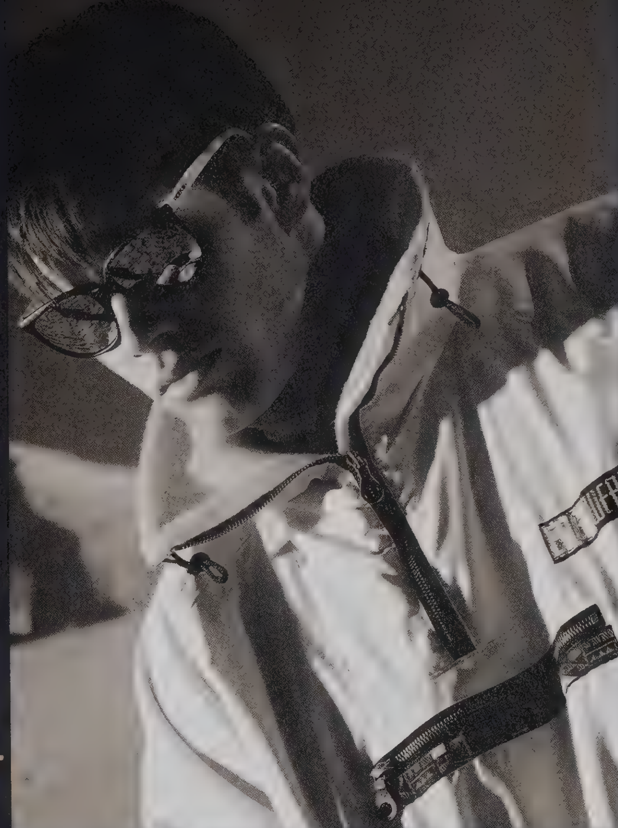
Vencap invested $166,000 in early 1989 as part of a first-round equity investment in EFX Marketing Inc., enabling the company to start production of Edgewear garments and enter the marketplace by last fall. The company hasn't looked back since. In fact, it's looking very much forward. As do its prospects.

EFX's Edgewear line premiered in 40 retail outlets in Canada its first year. It has 120 outlets lined up for the new fall 1990 line being introduced. That's on target with EFX's plan, which calls for 200 outlets by year three. The retail environment makes up two-thirds of EFX's volume of orders. The remaining one-third is drawn from the marketing associations developed with its prestigious roster of corporate affiliations. Leading the list, however, is the Canadian Olympic Association, for which EFX has the contract to design and manufacture all clothing for the Canadian delegation at the 1992 Winter Olympic Games in France.

Not only has EFX developed its own distinct version of marketing savvy for Edgewear outerwear, it combines that flair with the original styles and designs that characterize the Edgewear line. While initially based on a European look, Edgewear is definitely a Canadianized interpretation, and one that is entirely developed and produced in Canada using the finest source material that can be obtained in the world. Zippers from Switzerland, snaps from Germany, drawstrings from Austria. The fabric itself, custom-dyed to EFX specifications, is entirely windproof, waterproof and breathable. Few manufacturers can make that claim. Other design techniques contribute further to the individuality of each Edgewear garment. Embossing, where certain areas of the fabric have a permanently raised image, is being introduced in the 1990 line.

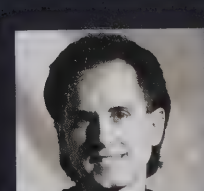
EFX's corporate strategy of positioning its Edgewear garments in marketing promotions with other consumer products got its start last year when the company was awarded exclusive rights for Sony Walkman 'Soundwear.' Edgewear garments with this system feature a built-in sound system, heard through the collar portion of the garment. Corporate associations such as this and the ones with Coca Cola and others form a fundamental element of Edgewear's marketing strategy, which serves a second purpose as well. Corporate affiliations offset the seasonal fluctuations that exist for an outerwear manufacturer and ensure that EFX is not entirely dependent on the purchasing habits of a retail consuming public.

Most importantly, these companies represent the leading names in large consumer-product industries. Not only does EFX want to be seen as the best in its business, but to be associated with the best as well.



"We see EFX as very leading edge. Ian, in particular, has a marketing expertise that is far-sighted and unique. Most importantly, the company has lived up to his commitments and we're enjoying a good relationship being associated with the Edgewear line."

Len W. Jordan, Market Development Manager, Coca Cola Limited



Ian B. MacDonald,
President and Chief Operating Officer

Based in Calgary, AMPTECH's customers include Northern Telecom, Novatel, Bristol Aerospace Canada, General Defence Corporation, 3M. Vencap's investment in AMPTECH is currently $2.8 million.

Three years ago, AMPTECH Corporation underwent a corporate and financial reorganization. It has emerged as a strong leadership contender within its industry — an industry with no clear cut leader at present.

The timing couldn't be better. Market demand is at an all-time high, and growing. AMPTECH's business — precision tooling and injection molding of plastic components — thrives on the continued growth of the telecommunications, electronics, aerospace and defence industries.

Consider the results. AMPTECH's revenues for the last year reached $11 million, almost double the $6 million level of 1987. Earnings improved by $1.3 million. All told, AMPTECH has experienced an average 30 per cent compounded growth rate over the last three years. A growth rate that continues; March, 1990 saw the company set a record for monthly revenues. That record is even more satisfying for the company since it comes only one month after a move into larger premises.

Relocation was necessary to meet increased orders from customers, to house the expanded equipment operations required in filling those orders, and to provide sufficient working room for the 175 people that AMPTECH now employs. That's more than double the number of employees only three years ago and will increase further. At present, AMPTECH operates two, eight-hour shifts per day in its tooling facility but has the capacity to expand. The injection molding area already operates with three, eight-hour shifts. Demand is there; AMPTECH's order book is full and the company has had to turn away some new orders already in 1990.

Growth is definitely on the horizon, and becoming the industry leader is one avenue to be considered. At present, AMPTECH has few direct competitors in western Canada, and none that provide the full line of tooling design and manufacture through to production of precision plastic, aluminum or zinc components. At a national level, AMPTECH competes on par with any others in the business. Maintaining this status, continuing to serve its established client base, growing as those customers grow could place AMPTECH as a successful $25 million company within a few short years.

A more aggressive course of action could involve geographic expansion and/or acquisition, either of which would enable AMPTECH to capture an increased share of its customers' business. In some industries, telecommunications for example, customers require suppliers to be in close proximity to their own operations in order to ensure consistency and timeliness of supply, quality control and cost efficiency. A goal of one of AMPTECH's major customers is to reduce the number of vendors on which it relies. AMPTECH intends to be the vendor of choice.

“One of the hardest things to manage properly is growth. Our biggest frustration comes from knowing we have the capabilities to do more. We’re determining the strategies to pursue to make the best of those capabilities and the opportunities available to us. We’re feeling aggressive about the future.”

Ehor W. Babij, President, AMPTECH Corporation

Ehor W. Babij,
President

PTI provides a complete turnkey service to the natural resource sector — facilities, equipment and food services for remote camp locations. At the end of 1989, PTI was awarded three contracts totaling $40 million. Vencap's investment in PTI at year-end was $2.3 million.

PTI Group Inc. was Vencap's first venture capital investment and typifies the range of opportunities to be pursued in later stage ventures, where a company already exists — one with established markets and proven management in place. But with the kind of growth potential that foreshadows the emergence of successful corporations.

At the time of Vencap's investment in 1984, PTI was recording revenues of $10 million. Its five-year plan set a goal of $25 million. It met that plan and, in fact, expects to double those revenues in 1990.

PTI still sees itself in an expansion mode and the company's next five-year plan could see some remarkable results. Part of that plan, however, will concentrate on upgrading core operations and building others to offset the cyclical nature of PTI's businesses.

Steps in that direction have already been taken. Where PTI traditionally operated on a short-term project basis, it now pursues long-term contracts to level out its workload. The recently acquired Syncrude project at Mildred Lake, for example, has a five-year term. Additionally, PTI's subsidiary for the manufacturing of modular equipment is not bound by cyclical demands. This strategy is working well as PTI currently has more work booked ahead than ever before.

PTI's seven operating entities have given the company a well-rounded service orientation to its industry customers. Vencap originally invested in PTI to enable it to pursue a plan of growth and geographic expansion. In the years since, PTI has made the transition from a small, specialized supplier to a broadly based service and manufacturing business providing facilities, equipment and food services across Canada as well as internationally.

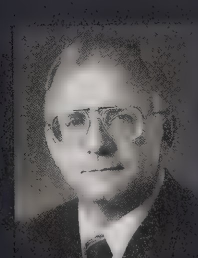
While PTI's origins lie in servicing the oilpatch, much of its recent growth has been drawn from other resource industries with projects requiring camp and related support: mining, pipeline construction, and forestry.

Even though PTI's immediate attention is toward managing and maximizing its current operations, the company endeavors to identify other complementary areas of business to be developed.

PTI is strongly established and well positioned to pursue new goals. It is meeting the challenges of managing growth.

"PTI has accomplished a great deal in the short period of time since the contract was awarded. They reacted very quickly at the outset, when our catering needs increased from 400 to over 1,000 people. They haven't let us down; we look forward to working with them through the term of the contract."

J. Peter Lawrie, Area Supervisor of Employee Services, Syncrude Canada Ltd.



John E. Hokanson,
Chairman and Chief Executive Officer

PTI GROUP INC.

In addition to Vencap Equities, other IDACOM shareholders include the company's senior management and employees, Siemens AG, AGT, and Capital Markets West. Vencap's investment in IDACOM is currently $1.7 million.

Understanding IDACOM's sophisticated products and technological expertise in the data communications test equipment business is not as easy as appreciating the company's commercial progress and accomplishments. Since it was created in 1981, IDACOM has established a strong international position in the large and rapidly growing market for high performance telecommunications testing and analysis equipment, leading to significant and profitable growth.

Based in Edmonton, where its manufacturing facility and corporate offices are located, IDACOM now employs more than 110 people. More than 95 per cent of sales are outside of Canada, while more than 50 per cent are outside of North America. IDACOM has a marketing and customer support network with 11 offices throughout Canada and the United States. International markets are addressed through a worldwide network of independent representatives. International customers are supported from subsidiary offices in West Germany and Singapore.

IDACOM equipment aids in the development, performance, testing and maintenance of data communications networks and terminal equipment. Customers include telephone companies and other signal carriers such as AT&T, MCI and regional Bell operating companies in the United States, the national telephone companies in Japan and several other countries, plus manufacturers of communications hardware, and large users of telecommunications services such as banks, governments and the military.

As the telecommunications industry — and the technology that supports it — becomes more complex, system testing and maintenance become critical issues. This is particularly crucial as new services are added which require higher speed transmission of voice and data signals and as new telecommunications standards and devices are developed and implemented.

The foundation of IDACOM's success is providing complete customized solutions to its customers, solutions which deliver leading edge technology and performance in a form that is portable and easy to use. IDACOM has been a leader in developing test instruments for new applications and was the first company to develop equipment capable of monitoring more than one communications channel simultaneously. IDACOM is currently establishing a technology and market leadership position in remote network monitoring, providing products which enable telephone companies to monitor the performance of an entire network from a central control location. While a great deal of IDACOM's technology is in the form of proprietary software, it also designs and assembles powerful specialized hardware to deliver an integrated solution to its customers.

IDACOM is closely affiliated with the major industry groups which determine the international standards and parameters to be met by telecommunications systems. These close working relationships enable IDACOM to anticipate trends and to establish a leadership position in developing new products to support evolving industry requirements.

"Succeeding in business is like mountain climbing. Reaching the top is not instantaneous. It's a lot of hard work and, quite often, the most difficult parts are at lower altitudes. By this analogy, IDACOM's past year has been our most successful because we have established the necessary bases from which we can successfully assault the top."

Walter J. Stein, President and Chief Executive Officer, IDACOM Electronics Ltd.

Walter J. Stein,
President and Chief Executive Officer

Results of Operations

Share Price - $2.15
Debenture Price - $540

Net Income
1990 - $6.3 million
1989 - $9.5 million

Earnings Per Share (basic)
1990 - $1.43
1989 - $2.16
(fully diluted)
1990 - $0.33
1989 - $0.48

Net Asset Value Per Share (basic)
1990 - $10.60
1989 - $9.12
(fully diluted)
1990 - $3.71
1989 - $3.45

Vencap's common share price closed the year at $2.15, down from the price of $2.25 a year ago. Our common share float of 4.3 million shares is small for a publicly traded company, and our shares are widely held and thinly traded.

The 12% convertible debentures, which are traded over-the-counter, closed the year at a price of $540 for a debenture with a principal amount of $500. The market price declined from last year's close of $580, a direct result of higher interest rates in Canada and the corresponding lower prices offered for government-backed bonds and debentures.

Net income declined substantially for the year ended March 31, 1990. Income in the 1989 fiscal year included an $18.0 million gain on the sale of venture investments, offset partially by an $8.8 million permanent impairment of venture investments. Fiscal 1990 income reflects a $232 thousand loss on the disposition of venture investments as well as a $5.0 million permanent impairment of a venture investment. A permanent impairment is recorded when there has been an irreversible loss of value in an investment.

Potential, but unrealized, gains or losses are reflected as a separate element in the statement of changes in shareholders' equity. Fully diluted net asset value per share increased to $3.71 per share at March 31, 1990 from $3.45 at March 31, 1989.

We are very disappointed when a permanent impairment occurs, but recognize fully that the high risk of venture capital investing may lead to this result from time to time.

Assets

Liquid Assets
1990 - $210.5 million
1989 - $222.4 million

Vencap began the year with $222.4 million in liquid assets and venture portfolio investments in 28 companies valued at $71.1 million.

Marketable Securities (Millions)

1990	$ 72.0	Government of Canada
	47.9	Province of Alberta
	83.8	Preferred Shares
	$203.7	
1989	$ 82.9	Government of Canada
	56.8	Province of Alberta
	77.8	Preferred Shares
	$217.5	

Marketable securities maturing within one year were at a high level at March 31, 1989, being approximately 40% of our total marketable securities. By March 31, 1990 management had reduced that position to 24% of total securities held. All purchases were made within investment guidelines set by Vencap's Board of Directors, which limit purchases to the highest quality preferred shares and government-backed securities.

The average term for securities maturing within one year was 120 days at March 31, 1990. The majority of the preferred shares mature in 1992, while long-term bonds have maturities ranging from 1 to 15 years, with an average term of 5 years.

During the year ended March 31, 1990 a total of $17.4 million was invested in venture activities. Investments, dispositions and a permanent impairment of value resulted in the venture portfolio closing the year at $82.5 million, representing investments in 37 companies. Vencap ended the year with $210.5 million of liquid assets.

Venture Investments

	# of Companies	$Millions
March 31, 1989	28	$71.1
Investments - companies new to the portfolio	11	12.1
- additional financing to existing companies	8	5.3
Partial or complete dispositions	2	(.3)
Partial return of capital	4	(.7)
Permanent impairment of value	1	(5.0)
March 31, 1990	37	$82.5

Venture Investment Activity

458 projects reviewed
11 new investments made

New Investment Profile

6 Early stage start ups
1 Venture capital fund
4 Expansion financing
11

Examples of Major Existing Venture Portfolio Company Activities

5 Technology milestones
4 Obtained major contracts
4 Introduced new products
7 Completed acquisitions or mergers
2 Divestitures
9 Raised additional financing

Venture investment activities continue to recognize the specific terms of the Province of Alberta loan agreement, limiting the size of any one investment to less than 10% of total assets, disallowing investments in banking, oil and gas exploration, real estate development, water diversion and nuclear energy, and directing that investments must be of benefit to Alberta and Albertans. Management does not regard these terms as restrictive, as the flow of new projects has not been hampered.

Vencap has 7 professional staff dedicated to reviewing investment opportunities. A total of 458 new investment opportunities were analyzed during the year; from those, 11 new investments were made. Included are 6 early stage investments, which require a disproportionately high amount of time to both make the investment and provide value-added service to the venture. Of the 11 new investments, 8 had outside investors participate alongside Vencap, sharing in the risk of these ventures.

The Vencap professional staff also worked closely with the management of the companies in the venture portfolio. Vencap staff consciously devoted greater time to building value in these investments, working at both the Board and operations levels. Vencap takes pride in the ability of its staff to add value under very demanding circumstances.

Several companies reported major activities during the year. These included reaching technology milestones, obtaining major contracts, introducing new products, mergers and acquisitions, and raising additional financing.

Vencap invested $5.3 million in 8 companies which were already a part of the venture portfolio, an indication of the opportunities available to these venture investment companies and the success of efforts by Vencap's professional staff to add value.

The allowance for unrealized gains or losses remained unchanged at $6.5 million.

Liabilities

Accrued Interest Payable

1990 - $6.8 million
1989 - $12.0 million

Long-Term Debt

1990 - $240.0 million
1989 - $240.0 million

Accrued interest payable declined significantly compared to last year, a direct result of reduced income levels generating lower interest payable to the Province of Alberta.

The long-term debt level in Vencap remained virtually unchanged at $240.0 million. Required principal repayments are minimal until 1998 when the 12% convertible debentures mature. In 2003, annual principal repayments on the Province of Alberta loan rise to $15 million.

Shareholders' Equity

Common Shares Issued

1990 - 4,248,600 shares
1989 - 4,044,600 shares

Vencap's capital structure did not change significantly during the year ended March 31, 1990. A number of vested, employee-held Class B preferred shares were converted into common shares during the year.

Revenues and Expenses

Venture Investment Portfolio Yield
1990 - 4.8%
1989 - 5.2%

Marketable Securities Portfolio Yield
1990 - 10.1%
1989 - 9.3%

Permanent Impairment
1990 - $5.0 million
1989 - $8.8 million

Operating Costs as a Percentage of Total Assets Under Management
1990 - 1.2%
1989 - 1.2%

Venture investments generated $3.7 million of interest and dividend income, for an average yield of 4.8%. Venture investments made during the year were structured more for capital appreciation than cash flow.

The marketable securities provided an average yield of 10.1% for the year. The preferred shares had a lower pre-tax yield, 8.4%, but the dividends received are not taxable. Government-backed securities provided a yield of 11.1% for the year.

A loss of $58 thousand was realized on the disposition of 5,000 shares in BioTechnica International, Inc.

The investment in AgriTrends Research Inc. was sold, incurring a loss of $174 thousand.

The $5.0 million permanent impairment recorded in the current year reflects the write-off of our investment in Clarepine Industries Inc. Clarepine was placed into receivership in March, 1990. While the receivership was still ongoing at year end, management's opinion is that Vencap will not receive any distribution out of the receivership. The total investment has been written-off.

Operating expenses were $3.5 million for the year, compared to $3.6 million for the prior year, a decline of 2.2%. All Vencap staff made a concerted effort during the year to reduce costs without reducing any services.

Provincial loan interest declined to $5.6 million, as the Province participates in all venture gains and losses. The permanent impairment of $5.0 million significantly reduced the before-tax income in which the Province participates.

Sensitivities and Opportunities

Areas of Risk
- *High interest rates*
- *Economic slowdown*
- *Technological change*

are also
Areas of Opportunity

Vencap is impacted by major changes in financial conditions in Canada. At March 31, 1990 interest rates in Canada were high, and were forecast to go higher in the short term. The impact is twofold - the first, which is immediate, results in continued high yields on our short-term portfolio. The second, also short term, is the potential impact of an economic slowdown, which may actually increase the number of new investment opportunities available to Vencap, as more companies seek to reduce debt and strengthen their financial positions.

On the negative side, an economic slowdown would impact on our venture investment portfolio, hurting those companies relying heavily on local or regional markets. Many, however, have a global focus to marketing their goods or services, subjecting them to the influences of several different economies simultaneously.

Technological changes are a risk to many of our venture investments. Management of these companies makes it their practice to monitor emerging technologies in their industry, a task that has become increasingly difficult given the global market economy that now exists.

Venture capital in Canada continues to grow, albeit at a moderate pace. Rather than regard competition as a threat, we welcome the increased number of participants, and look forward to opportunities of co-investing with them.

Vencap's portfolio is maturing. We expect the pace of activities within our venture investment portfolio to increase, and anticipate that divestiture opportunities will materialize in the near future.

Balance Sheet

The following explanations are intended to provide basic clarification in understanding Vencap's financial statements. In-depth analysis is contained in the Management Discussion and Analysis that appears on page 18.

ASSETS

Marketable securities, maturing both within and after one year, are funds awaiting venture opportunities.

Venture investments reflect original costs, adjusted for all anticipated losses and, within very strict guidelines, anticipated gains.

LIABILITIES AND SHAREHOLDERS' EQUITY

Accrued interest payable is the interest due to the Province of Alberta, paid June 30 of each year, and the accrued interest on the convertible debentures.

The convertible debentures are repayable in 1998, while the first significant principal repayment on the Province of Alberta loan is due in 2003.

Net asset value per share, indicating the carrying value of the venture portfolio and other net assets, is one factor influencing share price.

	March 31	
	1990	1989
	(Thousands)	
Assets		
Current assets:		
Cash	$ 278	$ 316
Accounts receivable (Note 2)	6,252	4,747
Income taxes recoverable	290	–
Marketable securities, maturing within one year (Note 3)	50,500	86,623
	57,320	91,686
Marketable securities, maturing after one year (Note 3)	153,225	130,763
Venture investments (Note 4)	82,457	71,085
Other assets (Note 5)	1,067	1,151
	$294,069	$294,685
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 832	$ 615
Accrued interest payable	6,761	12,035
Income taxes payable	–	1,899
	7,593	14,549
Long-term debt:		
Convertible debentures (Note 6)	40,000	40,000
Province of Alberta loan (Note 7)	199,994	199,995
	239,994	239,995
Shareholders' equity	46,482	40,141
	$294,069	$294,685
Net asset value per common share (Note 10):		
Basic	$10.60	$9.12
Fully diluted	$ 3.71	$3.45

APPROVED ON BEHALF OF THE BOARD:

D. A. Carlson Director

Director

Statement of Income

The statement of income measures revenues and expenses recorded during the year.

Revenue is derived from venture investments and marketable securities.

Permanent impairment is an irreversible loss in value.

Operating costs represent the period costs of investigating opportunities, investing, and working with our venture investments.

Earnings per share, reflecting the company's ability to operate profitably, is another factor influencing share price.

	Year Ended March 31	
	1990	1989
	(Thousands)	
Venture investments:		
Interest and dividend income	$ 3,665	$ 4,575
Gains (losses) on disposition	(232)	17,972
Permanent impairment of value	(5,000)	(8,847)
Marketable securities:		
Interest and dividend income	21,341	17,886
Losses on disposition	(18)	(274)
	19,756	31,312
Expenses:		
Interest on Province of Alberta loan	5,591	10,864
Interest on debentures	4,800	4,800
Operating	3,479	3,556
Reorganization	295	1,228
	14,165	20,448
Income before income taxes	5,591	10,864
Provision for (recovery of) income taxes (Note 9)	(700)	1,378
Net income	$ 6,291	$ 9,486
Earnings per common share (Note 10):		
Basic	$1.43	$2.16
Fully diluted	$0.33	$0.48

Auditors' Report

April 23, 1990

To the shareholders of
Vencap Equities Alberta Ltd.:

We have examined the balance sheet of Vencap Equities Alberta Ltd. as at March 31, 1990 and the statements of income, changes in financial position and changes in shareholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse

Chartered Accountants
Edmonton, Alberta

The statement of changes in financial position reflects changes in assets, liabilities, and shareholders' equity.

This statement is set out in three categories – cash flow from operations, cash flow related to financing, and cash flow used for investments.

	Year Ended March 31 1990	1989
	(Thousands)	
Cash provided from operations:		
Net income	$ 6,291	$ 9,486
Items not involving the outlay of funds -		
Depreciation	146	132
Losses (gains) on disposition of venture investments	232	(17,972)
Losses on disposition of marketable securities	18	274
Permanent impairment of value of venture investments	5,000	8,847
	11,687	767
Increase (decrease) in income taxes payable (recoverable)	(2,189)	2,325
Decrease (increase) in accounts receivable	(1,505)	249
Increase (decrease) in accrued interest payable	(5,273)	3,705
Other	154	(85)
	2,874	6,961
Cash provided by (used for) financing:		
Common shares	—	(192)
Class B preferred shares	50	72
Province of Alberta loan	(1)	(1)
	49	(121)
Cash used for investments:		
Venture investments, net of return of capital	16,657	37,210
Proceeds on disposition of venture investments	(53)	(45,680)
Marketable securities, net	(13,643)	15,421
	2,961	6,951
Decrease in cash	(38)	(111)
Cash, beginning of year	316	427
Cash, end of year	$ 278	$ 316

Statement of Changes in Shareholders' Equity

Shareholders' equity records the share transactions during the year, the accumulation of earnings over time, and changes in the allowance for unrealized gains and losses on venture investments.

The allowance anticipates future gains or losses on venture investments in order that the shareholders are able to measure the potential changes associated with these high-risk investments.

	Class B preferred shares	Common shares	Retained earnings	Allowance for unrealized gains and losses on venture investments	Total
			(Thousands)		
Balance, March 31, 1988	$517	$4,021	$32,737	$(7,000)	$30,275
Net income	–	–	9,486	–	9,486
Decrease in allowance for unrealized gains and losses on venture investments	–	–	–	500	500
Share transactions:					
Issued	105	–	–	–	105
Repurchased	(33)	(102)	(90)	–	(225)
Converted	(139)	139	–	–	–
Balance, March 31, 1989	450	4,058	42,133	(6,500)	40,141
Net income	–	–	6,291	–	6,291
Share transactions (Note 8):					
Issued	50	–	–	–	50
Converted	(296)	296	–	–	–
Balance, March 31, 1990	$204	$4,354	$48,424	$(6,500)	$46,482

Management's Reporting Responsibility

The accompanying financial statements of Vencap Equities Alberta Ltd. and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the corporation, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a comprehensive system of internal accounting controls. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies which govern ethical business conduct.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the corporation's annual financial statements and recommends their approval to the Board of Directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

The financial statements have been examined by the shareholders' auditors, Price Waterhouse, Chartered Accountants, and their report is presented herein.

R.A. (Sandy) Slator
President and Chief Executive Officer

Ian T. Morris
Chief Financial Officer

1. Summary of significant accounting policies:

(a) Marketable securities -

Marketable securities maturing within one year, consisting of bonds and preferred shares with predetermined maturities, are recorded at cost.

Marketable securities maturing after one year are recorded at cost unless there has been a permanent impairment in value. A loss associated with a permanent impairment would be reflected in the statement of income.

(b) Venture investments -

Venture investments having quoted market values and which are actively traded are recorded at values based on the quoted market prices at the balance sheet date.

Venture investments not having quoted market values are recorded at directors' estimates of fair value. Fair value is defined as the expected realization if venture investments were disposed of in an orderly distribution over a reasonable period of time.

Realized gains or losses on disposition of venture investments, together with losses incurred when the value of investments has been permanently impaired, are recorded in the statement of income. Unrealized gains or losses in the value of investments, net of applicable interest on the Province of Alberta loan and income taxes, are reflected as a separate element in the statement of changes in shareholders' equity.

The valuation procedure includes preparation by management, on a quarterly basis, of a written summary of the status of each venture investment. The Audit Committee reviews each investment to determine its carrying value, and the Board of Directors approves the final valuation. The valuation process includes inherent uncertainties and the values determined might differ from values that would have been obtained had a ready market existed for disposing of the investments.

(c) Depreciation -

Fixed assets are depreciated over their estimated useful lives as follows:

Furniture, fixtures and equipment - declining balance basis at 20% per annum

Leasehold improvements - straight-line basis over the term of the lease

Computer equipment - straight-line basis over 5 years

2. Accounts receivable:

	1990	1989
	(Thousands)	
Interest and dividends receivable from:		
Marketable securities maturing within one year	$1,782	$1,204
Marketable securities maturing after one year	3,690	2,999
Venture investments	639	274
Other	141	270
	$6,252	$4,747

3. Marketable securities:

	1990		1989	
	(Thousands)			
	Cost	Market Value	Cost	Market Value
Maturing within one year -				
Government of Canada securities	$ 16,500	$ 16,252	$ 33,715	$ 33,663
Province of Alberta securities	34,000	34,000	48,950	48,950
Preferred shares	–	–	4,059	4,010
	$ 50,500	$ 50,252	$ 86,724	$ 86,623
Maturing after one year -				
Government of Canada securities	$ 55,516	$ 51,988	$ 49,193	$ 47,808
Province of Alberta securities	13,914	13,154	7,822	7,542
Preferred shares	83,795	80,023	73,748	73,680
	$153,225	$145,165	$130,763	$129,030

4. Venture investments:

Venture investments are held in the following instruments:

	1990	1989
	(Thousands)	
Preferred shares	$46,554	$42,247
Common shares	39,714	29,961
Loans	2,689	5,377
	88,957	77,585
Allowance for net unrealized gains and losses	(6,500)	(6,500)
	$82,457	$71,085

The majority of preferred shares include rights to convert to common shares.

During the year, venture investments increased as follows:

	1990	1989
	(Thousands)	
Venture investments, net of return of capital	$16,657	$37,210
Dispositions, at cost	(285)	(27,708)
Permanent impairment of value	(5,000)	(8,847)
Decrease in allowance for net unrealized gains and losses	–	500
	$11,372	$ 1,155

During the year ended March 31, 1989, an amount of $714,700 was placed in escrow on the disposition of a venture investment. The escrow conditions remain in effect until October, 1990. The amount that will be received by Vencap could not be determined at the time of the disposition, but will be included in proceeds on disposition when the escrow conditions are satisfied.

5. Other assets:

	1990	1989
	(Thousands)	
Fixed assets, at cost less accumulated depreciation	$ 567	$ 701
Employee share purchase loans	500	450
	$1,067	$1,151

At March 31, 1990, the company had provided interest-free loans of $500,425 to employees in connection with their purchase of Class B preferred shares. The loans are secured by demand promissory notes and the related shares, and are repayable at the earliest of demand by Vencap, 10 years from the date of issue, sale of common shares received upon conversion, or termination of the employee's employment.

6. Convertible debentures:

The convertible debentures, due July 2, 1998, bear interest at 12% per annum payable semi-annually on the second day of January and July in each year. The debentures are convertible at the option of the holders into common shares at any time to July 2, 1991 at a conversion price of $2.50 per common share, and at any time thereafter to July 2, 1998 at a conversion price of $4.00 per common share.

If the debentures were all converted, the company would be required to issue up to 16,000,000 additional common shares.

7. Province of Alberta loan:

The Province of Alberta loan is to be repaid in instalments of $1,000 each year through to 2002 and $15,000,000 in each of the years 2003 to 2012 inclusive, with the balance due in 2013. Interest is calculated as a percentage of the company's pre-tax income, defined as income before deducting income taxes, and excluding interest on the Province of Alberta loan and interest on any debt subordinated to the Province of Alberta loan. Interest continues to be payable from 2013 to 2033 at the rate of 10% of pre-tax income, as defined above.

The loan is secured by a debenture which provides for a fixed charge on securities owned by the company having an aggregate book value of $175,000,000. The debenture also provides for a floating charge on all the company's assets and an assignment of receivables.

The Province of Alberta has an option to purchase up to 4,000,000 Special Shares at a price of $1.00 per share. The Special Shares, if issued, would have 20% of the total number of votes attaching to all shares of the company.

8. Share capital:

	1990	1989
	(Thousands)	
Authorized -		
Unlimited number of Class A preferred shares		
Unlimited number of Class B preferred shares		
Unlimited number of Special Shares		
Unlimited number of common shares		
Issued -		
14,100 Class B preferred shares (1989 - 32,000)	$ 204	$ 450
4,248,600 common shares (1989 - 4,044,600)	4,354	4,058
	$4,558	$4,508

The company has designated 50,000 Class B preferred shares - Series 1 as non-voting Key Employee Shares. Each Key Employee Share can be converted into 10 common shares and is entitled to receive dividends equal to 10 times the amount of cash dividends declared on each common share.

During the year ended March 31, 1990, 2,500 Class B preferred shares - Series 1 were issued for $49,950 in cash, and 20,400 preferred shares were converted into 204,000 common shares at an average price of $1.45 per share.

9. Income taxes:

The provision for income taxes is lower than the amount computed by applying the combined federal and provincial income tax rate to income before income taxes. The differences are as follows:

	1990	1989
	(Thousands)	
Income before income taxes	$ 5,591	$10,864
Combined federal and provincial income tax rate	43.84%	45.64%
Computed provision for income taxes	$ 2,451	$ 4,958
Increase (decrease) in income taxes resulting from:		
Non-taxable dividend income	(3,895)	(4,788)
Items charged to operations not currently deductible for tax purposes	–	4,038
Items credited to operations taxed at less than full rates	–	(2,959)
Items charged to operations only partly deductible for tax purposes	898	66
Other	(154)	63
Provision for (recovery of) income taxes	$ (700)	$ 1,378

10. Net asset value and earnings per common share:

The calculations of basic net asset value per share and basic earnings per share are based on the weighted average number of common and Class B preferred shares outstanding during the year. The weighted average number of shares during 1990 was 4,384,393 shares (1989 - 4,400,147 shares).

Net asset value per share and earnings per share, prepared on a fully diluted basis, are calculated as though all outstanding share options and convertible debentures had been exercised or converted on the first day of the year. A total of 24,389,600 shares would have been outstanding at March 31, 1990 (1989 - 24,364,600 shares) had all options been exercised and debentures converted.

11. Commitments:

The company is committed under operating leases for rental of office space. The commitment for annual lease payments is approximately $150,000 for each of the next five fiscal years.

Vencap Equities Alberta Ltd.

1980, 10180 - 101 Street
Edmonton, Alberta
T5J 3S4
Telephone: (403) 420-1171
Facsimile: (403) 429-2451

2000, 800 - 5 Avenue S.W.
Calgary, Alberta
T2P 3T6
Telephone: (403) 237-8101
Facsimile: (403) 264-0324

Board of Directors

John E. Barry
President
JEB Investments Ltd.

Donald A. Carlson
Chairman of the Board
Vencap Equities Alberta Ltd.

J. Gregory Greenough
President
Maclab Enterprises

Peter L.P. Macdonnell
Partner
Milner & Steer
Barristers & Solicitors

J.H. (Jack) Nodwell
Chairman and Chief Executive Officer
Canadian Foremost Ltd.

Daryl K. Seaman
Chairman and Chief Executive Officer
Bow Valley Industries Ltd.

R.A. (Sandy) Slator
President and Chief Executive Officer
Vencap Equities Alberta Ltd.

Donald J. Taylor
President
Engineered Air

John D. Wood
President and Chief Executive Officer
Canadian Utilities Limited

Committees

Executive:

Donald A. Carlson, Chairman
Peter L.P. Macdonnell
R.A. (Sandy) Slator
Donald J. Taylor
J.H. (Jack) Nodwell

Audit:

J. Gregory Greenough, Chairman
John E. Barry

Human Resources & Compensation:

John D. Wood, Chairman
J. Gregory Greenough

Officers of the Corporation

Donald A. Carlson
Chairman of the Board

R.A. (Sandy) Slator
President and Chief Executive Officer

Ian T. Morris
Chief Financial Officer and Secretary

Investment enquiries should be directed to, in Calgary:

Oleh S. Hnatiuk
F. Woody Kuehn
Peter L. Vander Velden

In Edmonton:

W.R.(Bill) McKenzie
Michael E. Phillips
David E. Stitt
Garth E. Thomas

M. Christine Stacey
Controller

Janet G. Goodwin
Corporate Communications Officer

Shareholders' Information

Vencap Equities Alberta Ltd. is incorporated under the laws of the Province of Alberta. Common shares of the corporation are listed on The Alberta Stock Exchange. Fiscal year-end is March 31.

Change of address and other shareholder information should be directed to Vencap's Registrar and Transfer Agent:

National Trust Company
Scotia Place, 10072 Jasper Avenue
Edmonton, Alberta
T5J 1V8
Telephone: (403) 421-8666

Bankers:
Royal Bank of Canada

Lawyers:
Milner & Steer
Barristers & Solicitors

Auditors:
Price Waterhouse
Chartered Accountants

Annual General Meeting
11:00 a.m., Thursday,
June 28, 1990
The Westin Hotel
10135 - 100 Street
Edmonton, Alberta

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